



IoMG Unified Scheme

Pensions factsheet

How the Unified Scheme will affect you

Yn raad er oaie The way forward

Firemen's Pension Scheme and Airport Firemen's Superannuation Scheme

This factsheet explains how the Unified Scheme will work for members of the Firemen's Pension Scheme 1980 and the Airport Firemen's Superannuation Scheme 1989 (the Firemen's Schemes). It has been designed to help you understand the benefits offered under the new scheme.

The key features of the Unified Scheme include the following:

- » A good level of pension – The Firefighters' section will provide a pension of 2.23% (or approximately 1/45th) of your Final Pensionable Pay for each year that you are a member.
- » Pay the same percentage contribution rate – You will pay 11% of your Pensionable Pay for your benefits. This is the same as you pay now for your benefits.
- » You choose when you retire – As long as you are at least 50 and have at least 25 years of Pensionable Service, you can choose when you retire.

Inside this factsheet

- » Learn how the Unified Scheme compares with your current pension scheme.
- » See how the benefits that you have earned so far will be protected.
- » Find out how much you will pay in the Unified Scheme.

Remember

Please submit your form before
28 February 2012.



What does this mean for me

To understand your Standard and Protected section benefits under the Unified Scheme:

- » Read the pension comparison illustration posted to you in early 2012.
- » Use the online Unified Scheme Modeller on the website.



Understanding the Unified Scheme

As a member of the Unified Scheme, when you retire you will receive a pension (this is a regular retirement income) and an optional one-off cash lump sum.

The Firefighters' section of the Unified Scheme will provide you with a pension based on 2.23% (approximately 1/45th) of your Final Pensionable Pay for each year of service you have.

When you retire, your annual pension will be calculated as follows:

Unified Scheme growth rate	X	Your Final Pensionable Pay	X	Your Pensionable Service	=	Annual pension
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Example

The example below shows how this would work for James – a member who joined the Firefighters' section. James retired at age 55 with 30 years' Reckonable Service and Final Pensionable Pay of £30,000. The Firefighters' section growth rate at this age is 2.23%.

$$2.23\% \quad X \quad £30,000 \quad X \quad 30 \quad = \quad £20,070 \text{ annual pension}$$



What does it mean?

Cash lump sum

When you retire you can choose to take a one-off cash lump sum on top of a regular pension income. To do this, you generally give up some of your pension.

What happens to the benefits I have built up so far?

When the Unified Scheme is introduced, we will be transferring the benefits you have built up in your current scheme into the Unified Scheme. To do this, we will be converting these benefits to an equivalent value in the Unified Scheme.

The important thing to remember is that the benefit value you receive for your past service will be the same.

How your past service will be converted

Your benefits will be converted based on the service you have built up before 1 April 2012. This is how many years and days of Reckonable Service you have built up in your current scheme before this date.





What is a conversion factor?

This is really just a value (e.g. a number) given for your benefits.

You could look at it a bit like an exchange rate you would get when you convert your money to go abroad on holiday.

We have set an exchange rate that ensures your benefits are transferred into the Unified Scheme fairly and you do not lose out.

A conversion factor (i.e. an exchange rate) has been used to convert your current benefits. This conversion factor essentially gives you a certain number of years and days in the Unified Scheme for every year and day of service you had built up in your current scheme.

The conversion factor that applies will depend on whether you can achieve 30 years of membership before your 55th birthday or not:

- » **If you can achieve 30 years of membership before your 55th birthday:** You will get a year for year credit in the Unified Scheme for your service at 1 April 2012.
- » **If you cannot achieve 30 years of membership before your 55th birthday:** Individual conversion factors apply that allow for your potentially shorter service at age 55.

The survivor's pension accrual rate is proposed to be 1.11% of your Pensionable Pay for each year of service. You will have an equal credit for your service in the Unified Scheme which will provide a survivor's pension that is broadly equal to your current scheme.

Your pension in the Unified Scheme, before you take any lump sum, will be subject to a maximum overall limit of 66.9% of Final Pensionable Pay.

How much will I have to pay in the Unified Scheme?

You will pay 11% of your Pensionable Pay for your benefits. This is the same as you pay now for your pension. This is the initial contribution rate but could change in the future, for example as a result of cost sharing reviews.

Changing the way your Pensionable Pay is calculated

Your Average Pensionable Pay will now be known as Final Pensionable Pay and the way it is calculated in the Unified Scheme will change in two ways:

- » We're extending the period in which your Pensionable Pay can count towards your pension. It will now be the last 13 years, rather than just the last three. This provides a longer period for the calculation and could include previous higher earnings that you may have had.
- » Final Pensionable Pay will be the average of the three highest consecutive Pensionable Pay figures in the last 13 years (revalued in line with inflation), rather than the highest single year.



The percentage growth rate of 2.23% provides a more even rate of earning pension.

Will changing your Pensionable Pay mean you get less pension?

The impact this has on your benefits will depend on how much your pay increases over time and the rate of inflation as you approach retirement.

Currently you earn 1/60th of your Final Pensionable Pay for the first 20 years of your Reckonable Service and 2/60ths for each year after this. In the Unified Scheme this has been changed so that you earn 2.23% of your Pensionable Pay for each year of service.

The percentage growth rate of 2.23% provides a more even rate of earning pension. It will produce broadly the same result for anyone who can achieve 30 years' Reckonable Service and a higher result for those who retire before they have 30 years' Reckonable Service.

The formula used to calculate your benefits is:

$$\text{Growth rate} \times \text{Final Pensionable Pay} \times \text{Reckonable Service}$$

Example – James achieves 30 years' Reckonable Service

Using the example described on page 2, James achieves 30 years' Reckonable Service before he retires at age 55, and his Final Pensionable Pay is £30,000 at this age.

Using the formula above, under the current scheme his pension would be calculated as:

$$(20 \text{ years} \times 1/60) \times £30,000 \text{ plus } (10 \text{ years} \times 2/60) \times £30,000 = £20,000 \text{ each year}$$

In the Unified Scheme this would be:

$$30 \text{ years} \times £30,000 \times 2.23\% = £20,070 \text{ each year}$$



Example – Steven achieves less than 30 years' Reckonable Service

Steven achieves 28 years' Reckonable Service before he retires at age 55, and his Final Pensionable Pay is £28,000 at this age.

Under the current scheme his pension would be calculated as:

$$(20 \text{ years} \times 1/60) \times £28,000 \text{ plus } (8 \text{ years} \times 2/60) \times £28,000 = £16,800 \text{ each year}$$

In the Unified Scheme this would be:

$$28 \text{ years} \times £28,000 \times 2.23\% = £17,483 \text{ each year}$$





Under the Unified Scheme, transfers to and from other Isle of Man or UK pension schemes will still be allowed. »»

What happens to transfers?

Under the Unified Scheme, transfers to and from other Isle of Man or UK pension schemes will still be allowed.

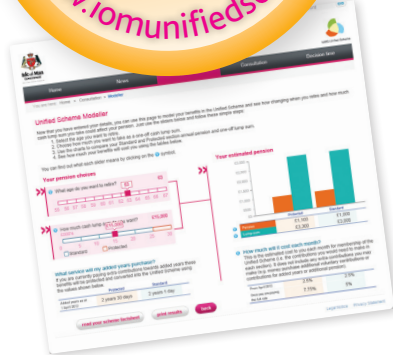
Transfers into the Unified Scheme will be on a cash equivalent basis which means that the scheme you are transferring from provides a transfer value that reflects the value of the benefits you have built up to that point. This transfer value will be used to secure you benefits of equivalent value in the Unified Scheme.

To provide greater flexibility and choice, the current 12 month limit by which you must decide whether to transfer your benefits from your previous pension scheme will be removed. However, the scheme that your benefits are being transferred to or from may have time limits.

You should seek independent financial advice if you are thinking about transferring your benefits.

Comparing your benefits – the Firemen’s Schemes

Scheme provision	Firemen’s Schemes	Unified Scheme
Your pension	1/60th of Average Pensionable Pay for each year of Pensionable Service after 20 years’ service 2/60ths of Average Pensionable Pay for each year of Pensionable Service (the average is 1/45th for 30 years)	2.23% (approximately 1/45th) of Final Pensionable Pay for each year of Pensionable Service
When you can retire	Age 55 Early retirement from active service on or after age 50 with at least 25 years’ service (without reduction)	Age 55 Early retirement from active service on or after age 50 with at least 25 years’ service (without reduction)
Your contributions % of Pensionable Pay	11%	11%
Tax free lump sum	Option to exchange up to 25% of pension for lump sum at variable rates e.g. £23.4 of lump sum for each £1 of pension given up at age 50, reducing to £20.8 of lump sum for each £1 of pension given up at age 55 and £18.9 of lump sum for each £1 of pension given up at age 60	Option to exchange up to 30% of pension for lump sum at variable rates e.g. £19 of lump sum for each £1 of pension given up at age 50, reducing to £18 of lump sum for each £1 of pension given up at age 55 or over.
Death in service lump sum	2 x Pensionable Pay	3 x Pensionable Pay
Survivor’s pension	50% of member’s pension (only service after 6/4/1988 counts for civil partners)	1.11% of Final Pensionable Pay for each year of service (approximately 50% of your pension)
Ill health retirement	An enhanced pension and lump sum payable if your health breaks down permanently and you cannot do your current job	There are two tiers depending on the degree of incapacity: » Lower Tier – pension and lump sum payable if you are permanently incapable of doing your current or a comparable job » Upper Tier – enhanced pension and lump sum payable if you are permanently incapable of gainful employment
Topping up your pension benefits	Purchase of additional 60ths and the ability to make Additional Voluntary Contributions (AVC) into a Money Purchase AVC account which can be used to buy additional pension and/or lump sum on retirement	Ability to make Additional Voluntary Contributions (AVC) into a Money Purchase AVC account which can be used to buy additional pension and/or lump sum on retirement



If you need financial advice you can speak to an independent and authorised financial adviser.

Find out more

Want to learn more about your pension and the Unified Scheme?

Visit www.iomunifiedscheme.im to access:

- » the Unified Scheme Member Guide with more details on dependants' benefits, ill health, topping up your benefits, added years and additional pension;
- » the latest information about the Unified Scheme;
- » the online Unified Scheme Modeller – to help you compare your future benefits; and
- » the Isle of Man Government Unified Scheme regulations.

Ask us a question

Unified Scheme one-to-one help sessions will be held throughout the decision making period at locations all over the Isle of Man.

Visit www.iomunifiedscheme.im for details.

Do you need financial advice?

Please note that we can't give you financial advice about the Unified Scheme and how it may affect you and your retirement plans.

If you need financial advice you can speak to an independent and authorised financial adviser and a list of advisers is provided on the website. We have briefed a number of financial advisers on the Unified Scheme and they have been provided with detailed information to help you understand your options. They may charge you for this advice, so we have negotiated a fixed fee for the first hour of £80. If you require more than one hour of advice, you will need to agree a fee with the adviser.

You should always check that any independent financial adviser you consult is authorised and/or licensed to give the advice you are seeking. Most financial advisers will charge you for their advice.

Disclaimer

This document is a guide only and does not represent any entitlement to the benefits described.

Whilst the Isle of Man Government has every intention of introducing and maintaining the Unified Scheme in the form described in this factsheet, it reserves the right to modify, amend or terminate the Unified Scheme at any time in the future, and to change benefits and contributions.

The definitive terms governing your existing benefits are contained in the regulations and other documents governing the scheme of which you are currently a member. In the event of any conflict between this factsheet and those documents, the legal documents (as amended from time to time by the Isle of Man Government) will prevail. Actual benefits will depend on future events, scheme regulations, and the circumstances as at the date you join, retire, leave or die, including earnings growth.

The statements and benefits set out within this factsheet are based on the assumption that your employer joins the Unified Scheme at the first available date. The contribution rates described are the initial contribution rates and could change in the future.

Neither the Isle of Man Government nor their advisers can accept any responsibility for any errors, omissions or inaccuracies.



Isle of Man
Government

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Where can I go for help?

Contact the Unified Scheme Project Team



www.iomunifiedscheme.im



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You can telephone us on 01624 685598.
However, we recommend that you email your enquiry whenever possible to ensure that you have a record of your enquiry and the response.